

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2005):  
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO  
SHIRTS AND BLOUSES OF 2X2 TWILL COTTON  
FLANNEL FABRICS**

Investigation No. 332-465-006

May 2005



# Commercial Availability of Apparel Inputs (2005): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

## U.S. International Trade Commission Investigation No. 332-465-006

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| Products                                  | Shirts and blouses of 2x2 twill cotton flannel fabrics       |
| Requesting Parties                        | Oxford Industries, Inc., Atlanta, GA                         |
| Date of Commission Report: USTR<br>PUBLIC | May 20, 2005<br>May 2005                                     |
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### NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON MAY 20, 2005. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (\*\*\*)

### Summary of Findings

The fabrics named in the petition filed by Oxford Industries with the Committee for the Implementation of Textile Agreements (CITA) in April 2005, and under review in this report, are similar to those named in several petitions filed with CITA in 2004.<sup>1</sup>

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of shirts and blouses made in eligible Caribbean Basin countries from the subject flannel fabrics, regardless of the source of such fabrics, would not likely have an effect on U.S. apparel, fabric, and yarn producers and their workers. The Commission is unaware of any firm that makes shirts and blouses containing the subject fabrics in the United States or any firm that makes shirts and blouses that are directly substitutable for the subject products in the United States. The Commission is also unaware of any domestic production of the subject flannel fabrics. The proposed action would likely benefit U.S. firms making shirts and blouses in eligible Caribbean Basin countries from the subject fabrics, and their U.S.-based workers, as well as U.S. consumers.

### Background

On January 19, 2005, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-465, *Commercial Availability of Apparel Inputs (2005): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). This investigation provides advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2005 with CITA under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).<sup>2</sup>

<sup>1</sup> For information on the CITA's decisions regarding the 2004 petitions, see the *Federal Register* of Apr. 21, 2004 (69 F.R. 21500); May 6, 2004 (69 F.R. 26077); Nov. 30, 2004 (69 F.R. 69588); and Dec. 27, 2004 (69 F.R. 77231).

<sup>2</sup> For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of Jan. 26, 2005 (70 F.R. 3728) and consult the Commission's website at [www.usitc.gov/ind\\_econ\\_ana/research\\_ana/pres\\_cong/332/short\\_supply/shortsupintro.htm](http://www.usitc.gov/ind_econ_ana/research_ana/pres_cong/332/short_supply/shortsupintro.htm).

The Commission's advice in this report relates to a petition received by CITA on April 8, 2005, alleging that certain woven flannel fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner. The petitioner requests that the President proclaim preferential treatment for shirts and blouses made in eligible CBTPA beneficiary countries from such fabrics, regardless of the source of the fabrics.<sup>3</sup>

## Discussion of the product

The petition states that the subject fabrics are classified in subheading 5208.43.00 of the Harmonized Tariff Schedule of the United States (HTS), which provides for woven fabrics of cotton, containing 85 percent or more by weight of cotton, weighing not more than 200 grams per square meter, of yarns of different colors, in a 3-thread or 4-thread twill construction. The U.S. general rate of duty on fabrics classified in this subheading is "free." The subject fabrics are 100-percent cotton flannel fabrics, in a 2x2 twill weave construction, for use in men's and boys' shirts and women's and girls' blouses. These apparel articles are classified in HTS chapter 62 (apparel, not knitted or crocheted) and subject to U.S. general rates of duty ranging from 15.4 to 19.7 percent ad valorem.

| Fabric specifications  |                                   |  |   |   |
|--|-----------------------------------|--|---|---|
| HTS subheading and description   | Finish <sup>1</sup>               | Weight and width <sup>2</sup>                      | Construction  | Yarn number for the warp, filling, and overall average yarn number (AYN) <sup>3</sup> |
| 5208.43.00.00<br>2X2 thread twill  | Yarns of different colors; napped | 150-160 gm/m <sup>2</sup> ;<br>148-152 cm in width | 50-52 warp ends/cm;<br>42-46 filling picks/cm;<br>total: 92-98<br>threads/cm <sup>2</sup> | Warp: 34 metric<br>Filling: 34 metric<br>AYN: 60-62 metric                            |
| <sup>1</sup> In addition, all the fabrics are napped on both sides.<br><sup>2</sup> All the widths are "cuttable" widths, useable for making the garments.<br><sup>3</sup> The yarn is two-ply, combed, and ring-spun. |                                   |  |   |   |

The petitioner, Oxford Industries, Atlanta, GA, produces and markets branded and private-label apparel for men, women, and children, with most of its products sourced from offshore sources.<sup>4</sup> Oxford will import the subject fabric into a CBTPA beneficiary country for use in the manufacture of shirts and blouses which will then be exported to the United States.<sup>5</sup> According to the petitioner, consumers of shirts and blouses

<sup>3</sup> The President may proclaim such action if (1) he determines that the subject fabric or yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner; (2) he has obtained advice from the Commission and the appropriate advisory committee; (3) he has submitted a report, within 60 calendar days after the request, to the House Committee on Ways and Means and the Senate Committee on Finance, that sets forth the action proposed, the reasons for such action, and advice obtained; (4) a period of 60 calendar days, beginning with the day on which he has met the requirements of (3), has expired; and (5) he has consulted with such committees on the proposed action during the 60-day period referred to in (3). In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

<sup>4</sup> In its fiscal year 2004, Oxford Industries sourced approximately 97 percent of its products from offshore sources, either from its owned offshore manufacturing facilities (11 percent of total) or its offshore joint ventures and third-party producers (86 percent). The remaining 3 percent of its products were sourced from domestic sources. See the firm's Form 10-K filed with the U.S. Securities and Exchange Commission for the fiscal year ended May 28, 2004, p. 4.

<sup>5</sup> \*\*\*

made from the subject flannel fabrics are looking for a "unique softness and warmth of the fabric."<sup>6</sup> In addition, the petition asserts that "it is important to consumers and retailers that yarn-dyed flannels provide a neater, cleaner and more durable pattern than printed flannels." Fabrics made of ring spun yarns are also said to be "softer, stronger and more durable than fabrics made from open-end yarns." Two-ply yarns also "produce a softer hand-feel and also produce better pattern and color execution . . . and compensate for the minor inconsistencies in yarn thickness in the individual yarns resulting in a more even yarn."

Shirts and blouses made from the subject fabrics generally compete in the higher end of the retail market. According to the petitioner, the shirts and blouses will be sold in retail outlets such as \*\*\* for \$\*\*\* each.<sup>7</sup>

## **Discussion of affected U.S. industries, workers, and consumers<sup>8</sup>**

### ***Apparel producers***

A representative of \*\*\*<sup>9</sup>\*\*\*.

A representative of \*\*\*.<sup>10</sup>

A representative for the apparel industry stated that \*\*\*<sup>11</sup> Commission staff contacted six firms<sup>12</sup> believed to be domestic producers of shirts and blouses of cotton woven fabrics and possible producers of the subject apparel of flannel fabrics. These firms' officials stated that their firms do not make shirts and blouses of flannel fabrics or shirts and blouses of fabrics that might be substitutable for the subject flannel fabrics.

Consequently, information available to the Commission indicates that there is likely no U.S. production of shirts and blouses of the subject flannel fabrics and there appears to be no U.S. production of shirts and blouses that would be directly substitutable for the subject shirts and blouses.

### ***Yarn and fabric producers***

There are no known U.S. producers of the subject flannel fabrics or of the yarn used to make them.<sup>13</sup> \*\*\*<sup>14</sup>

Among U.S. fabric mills, a representative of Dan River, Inc., Danville, VA, said the firm ceased production of flannel fabrics in late 2004.<sup>15</sup> A representative of Wade Mfg Co., Wadesboro, NC, said that Wade is the largest U.S. producer of cotton flannel fabrics, but it does not make the subject fabrics \*\*\*.<sup>16</sup> He noted that the firm makes flannel from open-end spun yarns rather than ring-spun yarns and that apparel flannel \*\*\*.<sup>17</sup> Other firms producing flannel fabrics make heavier-weight flannel (Carolina Mills, Maiden, NC, and

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<sup>6</sup> Except as noted, the information in this paragraph is from Oxford Industries' petition.

<sup>7</sup> \*\*\*, telephone interview by Commission staff, Apr. 12, 2005.

<sup>8</sup> In general, the manufacturing progression for textiles is: (1) fibers are processed into yarns, (2) yarns are made into fabrics, (3) fabrics are cut into components, and (4) components are sewn into finished goods. This section repeats the detailed industry discussion provided in the Commission's earlier report on the subject yarns almost verbatim except where relevant new information was provided in the current petition.

<sup>9</sup> Information on the firm is from \*\*\*, interview by Commission staff, Apr. 26, 2005.

<sup>10</sup> \*\*\*, telephone interview by Commission staff, Apr. 25, 2005.

<sup>11</sup> \*\*\*, telephone interview by Commission staff, Apr. 26, 2005.

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<sup>14</sup> \*\*\*, telephone interview by Commission staff, Apr. 19, 2005.

<sup>15</sup> James Martin, President, Apparel Fabrics Division, Dan River, Inc., telephone interview by Commission staff, Apr. 26, 2005.

<sup>16</sup> \*\*\*, telephone interviews by Commission staff, Apr. 17 and 25, 2005. \*\*\*

<sup>17</sup> \*\*\*, telephone interview by Commission staff, Apr. 25, 2005.

Avondale Mills, Granitville, SC). According to the Carolina Mills official, \*\*\*.<sup>18</sup> The Avondale Mills official said his firm weaves only heavier-weight flannel for use in pants and slacks.<sup>19</sup>

The petitioner said the subject fabrics used by his firm in shirts and blouses are sourced from \*\*\*<sup>20</sup>\*\*\*.

### **Views of interested parties**

No written submissions were filed with the Commission.

### **Probable economic effect advice<sup>21</sup>**

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of shirts and blouses made in eligible CBTPA countries from the subject fabrics, regardless of the source of such fabrics, is not likely to have an effect on the domestic industry or its workers, because there currently is no known U.S. production of shirts and blouses of the subject fabrics, and no U.S. production of the subject fabrics, or yarns used to make the fabrics. In addition, there appears to be no U.S. production of shirts and blouses that could be considered substitutable for those made of the subject fabrics. Most flannel shirts and blouses imported into the U.S. market are generally sold at lower price points than the majority of shirts and blouses made of the subject fabrics. To the extent that the shirts and blouses made from the subject fabrics are substitutable for shirts and blouses sold in the United States, they likely would displace imports because imports supply most of this U.S. market.

The proposed preferential treatment would likely benefit U.S. firms making apparel in eligible CBTPA countries and their U.S.-based workers. It would also likely benefit U.S. consumers of shirts and blouses made of the subject fabrics to the extent that importers pass on some of the duty savings to retail consumers.

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<sup>18</sup> \*\*\* , telephone interview by Commission staff, Mar. 18, 2005.

<sup>19</sup> \*\*\* , telephone interview by Commission staff, Apr. 17, 2005.

<sup>20</sup> Information in this paragraph on the subject fabrics is from \*\*\* , telephone interview by Commission staff, Apr. 25, 2005.

<sup>21</sup> The Commission's advice is based on information currently available to the Commission.